



SACHI A. HAMAI  
Interim Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 9, 2015

To: Mayor Michael D. Antonovich  
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Supervisor Sheila Kuehl  
Supervisor Don Knabe

From: Sachi A. Hamai  
Interim Chief Executive Officer

### **SACRAMENTO UPDATE - SPECIAL SESSION ON STATE TRANSPORTATION AND INFRASTRUCTURE FINANCING**

#### **Executive Summary**

This memorandum contains an overview of legislation of County interest introduced for consideration during the Special Session on State transportation and infrastructure needs and information on two other transportation-related proposals for which no specific legislation has been introduced to date.

#### **Background**

On June 16, 2015, Governor Brown called the Legislature into a Special Session to consider legislation to enact permanent and sustainable funding to maintain and repair the State's transportation and infrastructure. The Governor's Transportation and Infrastructure Proclamation instructs the Legislature to consider and act on legislation necessary to enact pay-as-you-go, permanent and sustainable funding to: 1) adequately and responsibly maintain and repair the State's transportation and other critical infrastructure; 2) improve the State's key trade corridors; and 3) complement local efforts for repair and improvements of local transportation infrastructure.

*"To Enrich Lives Through Effective And Caring Service"*

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Each house of the Legislature has appointed a committee to hear and consider bills related to the Governor's Proclamation. The committee members are:

Senate Transportation and Infrastructure Development Committee

Jim Beall (D), Chair	Connie Leyva (D)
Anthony Cannella (R), Vice-Chair	Carol Liu (D)
Benjamin Allen (D)	Mike McGuire (D)
Patricia Bates (R)	Tony Mendoza (D)
Tom Berryhill (R)	Fran Pavley (D)
Ted Gaines (R)	Bob Wieckowski (D)
Robert Hertzberg (D)	

Assembly Transportation and Infrastructure Development Committee

Jim Frazier (D), Chair	Mike Gatto (D)
Katcho Achadjian (R), Vice Chair	David Hadley (R)
Luis Alejo (D)	Young Kim (R)
Autumn Burke (D)	Eric Linder (R)
David Chiu (D)	Adrin Nazarian (D)
Bill Dodd (D)	Patrick O'Donnell (D)
Susan Talamantes Eggman (D)	

On July 2, 2015, the Senate Transportation and Infrastructure Development Committee convened an informational hearing and heard presentations identifying the need for maintenance and upgrades to both the State highway system and to locally managed streets and roads. On July 6, 2016, the Assembly Transportation and Infrastructure Development Committee convened an informational hearing and heard presentations on the basics of transportation funding and its impact on California's transportation programs. Both committees will continue to meet throughout the coming months.

**Special Session Bills**

**ABx1 1 (Alejo)**, which as introduced on June 23, 2015, would: 1) expedite the repayment of several loans made to the State General Fund from various transportation accounts; 2) move truck weight fees which were repurposed for transportation debt service back to the State Highway Account; and 3) direct the portion of fuel excise tax revenue that is derived from the 2010 increase in the motor vehicle tax to the State and local governments for transportation purposes.

During the recent State fiscal crisis as a result of the economic recession, the Legislature enacted a series of measures which redirected gas fees and other transportation-related revenues away from transportation uses to pay for bond debt service and provide loans to the State General Fund, with various repayment dates. ABx1 1 would expedite the repayment of these loans and repeal provisions in current law which directs transportation revenues to Transportation Debt Service Fund, thereby, retaining these revenues in the State Highway Account for State highway and local roads.

ABx1 1 is pending referral to an Assembly policy committee. This measure is a reintroduction of **AB 227 (Alejo)**, which was placed on the Assembly Budget Subcommittee Suspense File in April 2015.

**ABx1 2 (Perea)**, which as introduced on June 25, 2015, would remove the sunset date provisions in current law that authorize the California Department of Transportation and regional transportation agencies to enter into public-private partnerships for certain transportation projects that may charge certain user tolls and fees.

ABx1 2 is pending referral to an Assembly policy committee. This measure is substantially similar to **AB 1265 (Perea)**, which was placed on the Assembly Appropriations Suspense File in May 2015.

**SBx1 1 (Beall)**, which as introduced on June 22, 2015, would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on the State highway system and the local street and road system, and provide for the deposit of various funds for the program beginning in FY 2015-16, including revenues from: 1) increases in gasoline and diesel excise tax rates; 2) storage taxes on motor vehicle and diesel fuels; 3) an increase in vehicle registration fees; 4) a new registration fee for zero-emission vehicles; 5) redirection of commercial vehicle weight fees over a five-year period from debt service on general obligation transportation bonds; and 6) repayment (over a three-year period) of outstanding loans made in previous years from certain transportation funds to the State General Fund. In the fiscal years in which the Road Maintenance and Rehabilitation Program is not reauthorized by the Legislature, the increases in the gasoline and diesel excise tax rates and the \$35 increase in the vehicle registration fee imposed by the bill would become inoperative.

SBx1 1 would also allocate five percent of available funds to counties that approve a transaction and use tax on or after July 1, 2015, with the remaining funds to be allocated as follows: 1) 50 percent for maintenance of the State highway system or to the State Highway Operation and Protection Program; and 2) 50 percent to cities and

counties. The revenues from the incremental increase in the vehicle license fee would be deposited in the State General Fund and used for transportation general obligation bond debt service, among other provisions.

SBx1 1 proposes new and increased fees; therefore, it will require a two-thirds vote of the Legislature for passage. This measure would become effective immediately if signed into law by the Governor.

SBx1 1 is pending referral to a Senate policy committee. This measure is substantially similar to SB 16 (Beall), **which according to the author's office would provide Los Angeles County \$126.0 million, and the cities within the County a combined total of \$191.0 million in the first year of implementation.** SB 16 is currently pending consideration on the Senate Floor.

**SBx1 2 (Huff)**, which as introduced on June 30, 2015, would exclude the annual proceeds of the Greenhouse Gas Reduction Fund generated from the transportation fuels sector from allocation under the Cap and Trade Investment Plan and would, instead, provide that those proceeds be appropriated by the Legislature for transportation infrastructure, including public streets and highways, but excluding high-speed rail.

SBx1 2 is pending referral to a Senate policy committee.

**SBx1 3 (Vidak)**, which as introduced on July 1, 2015, would revise allocation of funding to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (2008) as follows: 1) prohibit further bonds from being sold for high-speed rail purposes, except for an existing appropriation for early improvement projects; 2) require the redirection of the unspent bond proceeds for use in retiring the debt incurred from the issuance and sale of those outstanding bonds; and 3) require the net proceeds of bonds subsequently issued and sold under the high-speed rail portion of the bond act to be made available to the California Department of Transportation for repair and new construction projects on State highways, and for repair and new construction projects on local streets and roads, as specified. These provisions would become effective only upon voter approval in the June 7, 2016 statewide primary election.

SBx1 3 would modify the general obligation bond act approved by the voters, Proposition 1A, in November 2008; therefore, it will require a two-thirds vote of the Legislature for passage, and voter approval in the June 7, 2016 statewide primary election.

SBx1 3 is pending referral to a Senate policy committee.

**SBx1 4 (Beall)**, which as introduced on July 7, 2015, is a spot bill and would declare the intent of the Legislature to enact legislation to establish permanent, sustainable sources of transportation funding to maintain and repair the State's highways, local roads, bridges, and other critical transportation infrastructure.

SBx1 4 is pending referral to a Senate policy committee.

**SBx1 5 (Beall)**, which as introduced on July 7, 2015, is a spot bill and would declare the intent of the Legislature to enact legislation to establish permanent, sustainable sources of transportation funding to improve the State's key trade corridors and support efforts by local governments to repair and improve local transportation infrastructure.

SBx1 5 is pending referral to a Senate policy committee.

**SCAx1 1 (Huff)**, which as introduced on June 19, 2015, would amend Article 19 of the California Constitution to guarantee that all transportation fees and taxes are spent on transportation projects. Specifically, this bill would: 1) prohibit the Legislature from borrowing revenues from fees and taxes imposed by the State on vehicles or their use or operation, and from using those revenues for non-transportation purposes; 2) prohibit those revenues from being pledged or used for the payment of principal and interest on bonds or other indebtedness; 3) limit the use of any fuel tax revenues allocated to mass transit purposes to the existing 25 percent limitation applicable to the use of fuel tax revenues for street and highway bond purposes; 4) restrict the expenditure of revenues from taxes imposed by the State on motor vehicle fuels used other than in motor vehicles upon public streets and highways, by requiring the use of those revenues for street and highway purposes; and 5) require revenues derived from the portion of the vehicle license fee rate that exceeds 0.65 percent of the market value of a vehicle to be used solely for street and highway purposes and would prohibit the Legislature from borrowing those revenues.

SCAx1 1 is substantially similar to **SCA 7 (Huff)**, which as amended on May 28, 2015, would guarantee that all existing transportation taxes are spent on transportation projects by ensuring that future increases of transportation taxes could only be used for construction, maintenance and improvements to transportation infrastructure, and not for other bonds or debts. SCA 7 was referred to the Senate Transportation and Housing Committee but has not been heard.

SCAx1 1 is a constitutional amendment and requires a two-thirds vote of the Legislature to pass, upon which it would be submitted to the voters for approval.

SCAx1 1 is pending referral to a Senate policy committee.

### **Other Transportation Related Proposals**

In addition to the eight Special Session bills introduced to date, two other transportation-related plans have been proposed. It is anticipated that portions of these proposals will be introduced in legislation in the coming weeks and months.

**Assembly Republican Caucus “Fix Our Roads” Plan.** On June 29, 2015, the Assembly Republican Caucus released a \$6.6 billion plan to fund transportation infrastructure and fix roads with existing resources, including: 1) the cap and trade revenues allocated annually for investments in low carbon transportation, natural resources, energy and other programs; 2) vehicle weight fees; 3) the Governor's Strategic Growth Fund; 4) savings from eliminating 3,500 positions at the State Department of Transportation; 5) savings from eliminating vacant positions in other State departments; and 6) State General Fund revenues. The plan also calls for three policy changes, including: 1) expediting the California Environmental Quality Act (CEQA) process for transportation projects; 2) fostering public-private partnerships for transportation projects; and 3) removing the California Transportation Commission's from the control of the State Secretary of Transportation and restoring it as an independent body.

**Speaker Toni Atkins' Transportation Infrastructure Funding Plan.** On February 4, 2015, Assembly Speaker Atkins announced a proposal to increase transportation infrastructure funding for California's highways, bridges, and roads by \$10 billion over the next five years, beginning in FY 2015-16 by: 1) returning truck weight fees to transportation instead of using them to repay general obligation debt; 2) accelerating repayment of previous State General Fund borrowing from transportation funding; and 3) establishing a new Road User Charge (amount to be determined) to drivers. The Road User Charge would backfill the truck weight fees, allowing \$1 billion per year to be spent on transportation without cutting funding for schools, higher education, or health care. Because the Speaker's proposal would create a new “Road User Charge” fee, it requires a two-thirds vote of the Legislature for approval.

This office is working with the Department of Public Works and other affected departments to determine the impact of the Special Session and will continue to keep you advised.

SAH:JJ:MR  
VE:AO:ma

c: All Department Heads  
Legislative Strategist